

**SAN JUAN ISLAND SCHOOL DISTRICT No. 149**  
**San Juan County, Washington**  
**September 1, 1993 Through August 31, 1995**

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**Schedule Of Findings**

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1. San Juan Island School District No. 149 Should Strengthen Controls Over The Voucher Payment System

During our review of the voucher payment system at San Juan Island School District No. 149, we noted the following exceptions:

- a. Employees responsible for processing vouchers and ordering warrants have access to the blank manual warrant stock, unsigned vendor warrants, and the superintendent's signature stamp. The superintendent's official signature stamp is not adequately secured and its use is not limited or controlled. Without sufficient control over the access and use of the signature stamp, no assurance can be given that unauthorized stamping and issuance of warrants would be prevented or detected.
- b. The purchase order function is not properly utilized. Purchase orders were not consistently used nor is there evidence of review of coding, available budget, and whether the purchase is within the legal requirements applicable to the district. Without appropriate use of the purchase order function, the district increases their risk of making purchases which are outside the legal requirements of the district and/or exceeding their budget.
- c. The district does not consistently require adequate documentation to support expenditures as evidenced by the following: 1) The district processed a transaction where the original total of the invoice had been altered by district personnel to a greater amount and then paid. 2) The district issued a \$5,580 warrant without requiring an official invoice or any other official correspondence from the vendor in support of the charges. 3) The district allowed payment of an employee purchase reimbursement claim without requiring the employee to submit an original receipt or other official documentation showing the employee had paid for the items. Without official unaltered invoices, no assurance can be given the transactions are valid expenditures of the district and are for the appropriate amounts.
- d. Not all statements billed to the district for personal service contracts were reviewed. As a result, billings were noted which contained charges not authorized by the agreed upon rates in the contract. Without adequate review and monitoring of personal service contract billings, no assurance can be given that charges have been authorized and are appropriate.

- e. Invoices are not marked paid or otherwise defaced upon processing for payment to prevent intentional or inadvertent double payments to vendors.

RCW 43.09.200 which prescribes the system of accounting for local governments states in part:

. . . The system shall exhibit true accounts and detailed statements of funds collected, received, and expended for account of the public for any purpose whatever, and by all public officers, employees, or other persons.

The accounts shall show the receipt, use, and disposition of all public property, and the income, if any, derived therefrom; all sources of public income, and the amounts due and received from each source; all receipts, vouchers, and other documents kept, or required to be kept, necessary to prove the validity of every transaction . . . .

Without adequate controls and management review in place over the voucher payment system, the district increases the likelihood errors and irregularities will occur and not be detected in a timely manner, if at all. There is also increased risk the district will make payments which are not appropriate and/or will exceed their budget.

The exceptions we noted appear to have occurred due to lack of knowledge of the requirements by district staff, as well as management's lack of adequate review and oversight at appropriate stages in the voucher payment system. Control weaknesses have also been attributed to the amount of difficulty involved in appropriately dividing duties among the limited number of district office staff.

We recommend San Juan Island School District No. 149 improve controls over the voucher payment system as follows:

- a. Persons responsible for processing vouchers and ordering warrants, should not have access to the superintendent's signature stamp. The signature stamp should be secured in a locked area with access limited to the superintendent. Use of the signature stamp should be controlled by maintaining a log of the beginning and ending warrant numbers stamped. The beginning and ending warrant numbers per the log of warrants stamped should be compared and agreed to the beginning and ending warrant numbers approved by the board.
- b. Purchase orders should be utilized for all purchase transactions. Purchase orders should evidence that coding was reviewed and budget was available. Persons responsible for approving purchase orders should be aware of the applicable requirements regarding legal expenditures.
- c. The district should ensure payments are always supported by original unaltered official invoices. In the case of employee submitted reimbursement claims, the district should require an original receipt or other official documentation which shows the employee tendered payment for the goods and the goods were duly received by the district. Furthermore, the district should encourage the employees to utilize the district's voucher system for purchases rather than buying items and later submitting for reimbursement through the district.

- d. Persons responsible for processing invoice payments should be aware of personal services contract stipulations and should review invoices to ensure the charges per the billing were in accordance with the agreed upon personal services contract.
- e. Invoices should be marked paid or otherwise defaced upon payment to prevent double payment of individual invoices.

2. The District Should Maintain Adequate Documentation To Support Experience And Credits Reported To The Superintendent Of Public Instruction (SPI)

Our review of employee files at San Juan Island School District again noted problems with reporting on the S275/S727 report to the SPI. As noted in the fiscal year 1992-93 audit report, the district does not maintain adequate supporting documentation for experience and credits reported to SPI.

Our review included four certificated employee files and a follow up of the prior year's files which had been incorrectly reported. The files reviewed lacked a clear record of how the experience and credits were aggregated. In an effort to perform the calculations again, the following errors were noted.

- a. One file tested lacked supporting documentation for a masters degree claimed.
- b. One file contained documentation for in-service credits earned; however, the credits were not included on the S275/S727 reports. Because there was no indication of when the transcripts were received by the district, we were unable to determine if the credits were appropriately excluded.
- c. Two files contained documentation for substitute teaching experience, however, it does not appear the experience was counted for the two individuals.
- d. One file overstated the individual's years of experience by one and one half years. The overstatement does not effect the apportionment as the person was in excess of the maximum number of years experience taken into consideration for salary purposes.
- e. Our follow-up review of the errors noted in employee files in the prior audit period determined the recommended corrections had not been made.

*Washington Administrative Code (WAC) 392-121-280 states in part:*

School districts shall have documentation on file and available for review which substantiates each certificated employee's placement on the state-wide salary allocation schedule and on LEAP Document 1.

(1) Districts shall document the date of awarding or conferring of the highest degree. Documentation shall include the date upon which the degree was awarded or conferred as recorded on the diploma or official transcript . . .

(2) Districts shall document total eligible credits on an official transcript or letter from the institutions granting the credits or performing the in-service training.

(3) Districts shall document years of experience that are eligible for application on the state-wide salary allocation schedule and on LEAP Document 1. Documentation for years of experience shall be on letters or any other documents that provides evidence of employment including dates of employment.

The reason for inadequate documentation and inaccurate reporting is not evident. Inaccurate reporting of degrees, experience, and credits could affect the district apportionment funding received from SPI.

We recommend the district correct inaccurate information and obtain adequate documentation to support the S-275/727 report for the employees identified. We further recommend the district review the files of the remaining district employees to ensure the accuracy and adequacy of the documentation for the S-275/727 report.